

City of Santa Clarita

Santa Clarita, California

Report to the City Council and Management

For the year ended June 30, 2009

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C&L
Caporicci & Larson
Certified Public Accountants



Caporicci & Larson
Certified Public Accountants

December 17, 2009

To the Honorable Mayor and Members of City Council
of the City of Santa Clarita
Santa Clarita, California

In planning and performing our audit of the basic financial statements of the City of Santa Clarita, California (City) as of and for the year ended June 30, 2009, in accordance with generally accepted auditing standards in the United States, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as noted in the following pages, we identified certain deficiencies in internal control that we consider to be control deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. Control deficiencies in internal control identified in the audit are discussed in this report.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

This communication is intended solely for the information and use of City Council, management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

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CONTROL DEFICIENCIES

1. Financial Reporting and Account Reconciliation

Observation

During the performance of our audit for the year ended June 30, 2009, we noted two errors in the account reconciliation schedule provided by the City resulting in six correcting journal entries that were required to be recommended by us to correct the balances in these accounts. The errors were in the following areas:

1. Interest Receivable
2. Adjustment of the fair value of investments held by the City

Recommendation

We recommend that the City close its books in a timely manner and have all accounts reconciled and balanced to the general ledger before the start of the audit. We also recommend that all reconciliations and detailed listings be reviewed to ensure accuracy of the listings.

2. Excess Surplus in the Low and Moderate Income Housing Fund

Observation

Pursuant to *Health & Safety Code Section 33334.12*, the Redevelopment Agency of the City of Santa Clarita (Agency), a component unit of the City, must expend or encumber its excess surplus within three years following the date in which the money became excess surplus. At July 1, 2008, the Agency had an excess surplus in the amount of \$699,483.

Recommendation

We recommend that the Agency resolve its excess surplus condition before the established deadlines to avoid actions by the State of California.